## A PROSPECTIVE MONEY TRUST.

[Written for The Conservative.]

Seventy and more years ago, there was an institution in this country known as the United States Bank. As near as I remember, its capital stock was $30,000,000, of which the government owned about $9,000,000, and the remainder was largely in the hands of foreign investors, whose resident agents looked after it for them. When Andrew Jackson was president, congress passed a bill rechartering the bank. Jackson vetoed the bill, and on returning it unsigned, told congress substantially this: "When this congress was elected, the subject of rechartering the bank was not before the people and was not presented to them. The existing charter has four years to run yet, and the bank has two years in which to close up its business, equal to six years. There will be at least two elections, and plenty of time to put it before the people. Go home and lay the matter before the voters for their consideration, and give them a chance to look into it and decide. If they send you or another congress back here instructed to recharter the bank, I will sign the bill for that purpose." Jackson was a candidate for re-election to a second term as president. Nicholas Biddle, the president of the bank, at once organized all the forces and powers the bank could control to defeat Jackson. Jackson immediately removed from the bank all the government deposits, and began what afterwards grew into the sub-treasury system.

The people decided against rechartering the bank and Jackson was triumphantly elected. But the bank made a most bitter and unscrupulous fight upon him; in many ways the most abusive and malignant ever known. The parties then called themselves "Republican Whigs" and "Republican Democrats." The subtreasury system continued in force until Salmon P. Chase's plan of National banks, based on government bonds, came into operation.

The attempt of the United States bank to control the results of a presidential election was an interference the people would not brook. The idea of government being concerned in the banking business was not favorably regarded, tending, as it did, to make a hot-bed of corruption of the congress, and to a centralization of money power for a corrupt use in controlling elections. This was the first time the people had come face to face with a moneyed oligarchy, and were forced to consider the danger to liberty which an exercise of its power would constitute, or the power it could exercise. The subject of *money* is not well understood by the people at large. On the contrary, it is much misunderstood; and during the last three decades the advocates of a free and unlimited coinage of silver have done little else than to increase the misunderstanding. Money is an outgrowth of trade and commerce. If there were no trade and commerce there would be no use for money.

We are told that money is a standard and a measure of values. That is not true; for a standard or measure must be fixed and permanent, and except statutory coin, money has no fixed and permanent value and is ever fluctuating. Where the law says sixty pounds of wheat and thirty-two pounds of oats shall constitute a bushel, it fixes a standard for a bushel regardless of the number of cubic inches it contains. The substance must be there to make the weight, or it is not a bushel. But it does not fix any value of the grain. So, when the law says the unit for coinage shall be the dollar, and that silver and gold, alloyed ten per cent, shall constitute the bullion for making dollars, and that 371¼ grains of silver bullion, and 25.8 grains of gold bullion, in the form of a mint coin, shall constitute a dollar, the law fixes a standard, and a value both, and both are permanent until the law changes them. But these have only a statutory value, and their money value depends on the consent of the seller in trade and commerce, whether he will receive them at the statutory value as money or not. No, money has but one function and can perform but one office, and that is to represent the value of other things in the exchange of commodities, in trade and commerce; and in conducting business affairs among men and nations. It has nothing to do with the value of the things, except to represent their value, and whether the value be high or low, value and price are not the same only when they coincide. Whatever will perform this function with the consent of sellers and buyers serves the purpose of money.

The creation of money, and issuing of what is allowed to pass as money, the handling and application of what is recognized as money, is called finance. This is usually done through associations of men called bankers—in institutions recognized by law as banks—generally private corporations. Bank notes representing money are issued by national banks, but they are not money unless convertible into statutory coin at the will of the holder. The bank issuing them must be required by law to redeem them in coin or its equivalent, on demand, to make them the equivalent of money. Coin is created by government, its monetary value is fixed by law, and that alone is real money; but paper promises to pay money issued by government and by banks authorized by government, when redeemable in coin, on demand, represent and are used as money. Banks receive the money of individuals and of each other, on deposit, and lend the same on interest. Experience demonstrates that a bank can usually loan two-thirds of its deposits, or circulation, if it issues notes, and keep in reserve a redemption fund of one-third, and be safe. The deposits of each day replace the loans, leaving such a margin only that the bank can redeem if called on.

But of late years what is called the credit system has grown up, under which ninety-five to ninety-eight per cent of the business of the country is done without handling money. Checks and drafts on deposits in the banks are used, and through a clearing house—a bankers' bank—these are sent each day through the clearing house from all the banks (in cities and large money centers) to the banks drawn on, and are charged by that bank to the drawer's account, or are paid. This, with notes payable in bank, on which money is advanced—all known as commercial paper—passes from hand to hand as money, and a thousand dollar check may do the business of two thousand dollars in one day, without one dollar in money being used. So with foreign drafts, bills of exchange, letters of credit, postal orders, telegraph orders, bills of lading, storage, etc, etc.

In 1873, there was in the United States—in the treasury and out—a little over $700,000,000 of money, all told, of which only $25,000,000 was coin. Today, I am not advised of the quantity, but I will be safe in saying there is about $2,500,000,000 in the treasury and out, of which probably $1,400,000,000 is in coin. This includes treasury notes, certificates of gold and silver deposits in the treasury, greenbacks, national bank notes, and other government promises to pay money, and coin, mostly deposited in banks; all redeemable on demand in coin—ultimately—by banks or by government, and representing money.

Large banks in cities have begun to combine, with deposits running high into the millions. More recently a corporation has begun to form chains of combination among the country banks, extending from ocean to ocean—sooner or later to be controlled by one central bank. Congress has plans before it for a law authorizing banks to issue notes and do business based upon its assets. Also of propositions to establish a United States bank. All these things tending to a moneyed oligarchy, where all the money of the country will be under the control of a few